



**Financial and Audit Oversight Committee ("FAOC")
Meeting Action Report**

Committee: Financial and Audit Oversight Committee ("FAOC")

Members: Representative Susie Byrd (Chair)
Representative Emma Acosta
Representative Steve Ortega
Representative Eddie Holguin Jr. (Not Present)

Non-Members: Joyce Wilson, City Manager
Representative Cortney Niland
Bertha Ontiveros, City Attorney

Staff Assignee: Edmundo S. Calderon – Chief Internal Auditor
Carmen Arrieta-Candelaria – Chief Financial Officer

Meeting Date/Time: Wednesday, January 30, 2013 – 9:00 A.M.

1. Call to order and introductions.

Representative Susie Byrd called the meeting to order at approximately at 9:10 A.M. MST.
It was determined that there was a quorum.

2. Approval of Minutes for the Financial and Audit Oversight Committee meeting of November 12, 2012. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Representative Byrd made a motion to approve the minutes for the Financial and Audit Oversight Committee ("FAOC") Meeting of November 12, 2012. Representative Ortega seconded the motion. Motion passed unanimously.

3. Presentation of the 1st Quarter Update to the Annual Audit Plan. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Summary:

Mr. Edmundo Calderon, Chief Internal Auditor, introduced and explained the 1st Quarter Update to the Annual Audit Plan. Mr. Edmundo Calderon explained that the Chief Internal Auditor should report periodically to the Financial and Audit Oversight Committee (FAOC) on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan as required by Performance Standards 2020 & 2060 of the International Standards for the Professional Practice of Internal Auditing. Mr. Edmundo Calderon explained that, given such requirement, an update on four critical areas required in the management of an internal audit activity will be provided. The four critical areas are: (i) Completed Audits and Projects, (ii) Pending Audits and Projects, (iii) Miscellaneous Items affecting the Internal Audit

Office's Activity, and (iv) Annual Audit Plan Update. Mr. Calderon introduced the completed Audits and Projects for the 1st Quarter and opened up for questions. Representative Susie Byrd inquired about how Environmental Services' Management will assume the risk of not implementing the recommendation made by the Internal Audit Office about the results of the 2nd Follow-Up: Environmental Services Accounts Payable Audit (Memo dated October 31, 2012). Mr. Calderon noted that the results of this 2nd Follow-Up Audit indicated that one of the original findings relating to Travel Requests is still in-progress of being fully implemented, meaning that corrective action has been initiated but is not complete. Therefore, Management will assume the risk of not implementing the recommendation.

Representative Susie Byrd inquired about the implementation of PeopleSoft and its consolidation with ACT in the Consolidated Tax Office. Ms. Carmen Arrieta-Candelaria, Chief Financial Officer, explained that ACT is currently being used in connection with PeopleSoft. Ms. Arrieta-Candelaria noted that cash disbursements (checks) are no longer processed through ACT; instead, they are processed through PeopleSoft.

Representative Susie Byrd requested that the Federal Janitorial Contract relating to the Parks Department – Federal Janitorial Contract Audit (Report dated November 20, 2012) be terminated. Mr. Calderon stated that he does not have the authority to cancel the contract but would make management aware of the request.

Representative Steve Ortega inquired about the guidelines for recommendations made in the 2nd Follow-Up: Environmental Services Accounts Payable Audit (memo dated October 31, 2012). Mr. Calderon explained that “two key rules” were followed during the course of this audit: The Travel Policy established by the Chief Financial Officer (CFO) and the procedures established to complete Travel Request Forms. Representative Ortega noted that large organizations usually have ongoing relations with travel agencies for cost benefit purposes and inquired if travel agencies could be utilized for traveling.

Carmen Arrieta-Candelaria commented.
Joyce Wilson, City Manager, commented.

Action taken:

Motion made to request the termination of the Federal Janitorial Contract and to request a centralized travel agency was made by Representative Byrd. Motion was seconded by Representative Ortega. The motion passed unanimously.

4. Discussion on the use of the Contingency Hours for the 2nd and 3rd Quarter to conduct a Follow-Up Review of the Police Department Grant Review completed November 7, 2011. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Summary:

Mr. Edmundo Calderon introduced the discussion on the use of Contingency Hours for the 2nd and 3rd Quarter to conduct a Follow-Up Review of the Police Department Grant Review completed November 7, 2011. Mr. Calderon noted that based on his experience, he recommends to have a reserve pool for budgeted hours. Mr. Calderon advised using a portion of hours from Contingency hours to work on the Review of the Police Department Grant. Mr. Calderon noted that his staff has already started to plan for this Follow-Up Review. Representative Byrd inquired about the administration of the Police Department Grant. Ms.

Joyce Wilson, City Manager, noted that new staff with appropriate skills has been appointed for the administration of the Grant.

Representative Byrd commented.

Bertha Ontiveros, City Attorney commented.

Action taken:

Motion made by Representative Byrd, seconded by Representative Ortega. The motion passed unanimously to approve the use of Contingency Hours for the 2nd and 3rd Quarter to conduct a Follow-Up Review of the Police Department Grant Review completed November 7, 2012.

5. Discussion and Action on 2 revisions to the Annual Audit Plan for the 2nd and 3rd Quarters. [Internal Audit, Edmundo Calderon, (915) 541-4402]

Summary:

Mr. Edmundo Calderon introduced and explained the revisions to the Annual Audit Plan for the 2nd and 3rd Quarters. This include the (1) Deletion of the Follow-Up Audit – Weatherization Grant and replace with an audit of the maintenance of Environmental Services’ Garbage Trucks by General Services and (2) Deletion of the El Paso City Employees’ Pension Fund Confirmation Project and replace with a review of the Refund of Pension Benefits to employee processes.

Representative Cortney Niland inquired of Mr. Calderon about his ability to audit the Pension fund for the Police and Fire Departments. Mr. Calderon explained that he does not have the ability to conduct an audit for the Fire and Police Pension Fund. Representative Niland expressed her concern about the fact that the Mr. Calderon does not have the ability to conduct an audit of the Fire and Police Pension Fund given that their management fees have doubled over the years. Mrs. Bertha Ontiveros, City Attorney, explained the difference between a financial audit and management audit. Mrs. Ontiveros noted that an external auditor conducts a financial audit of the Fire and Police Department’s Pension Fund and reports to Financial Services but no management audit is conducted. Representative Emma Acosta requested the board to approve a management audit to the Fire and Police Departments’ Pension Fund.

Carmen Candelaria-Arrieta commented.

Representative Ortega Commented.

Action Taken:

Motion made to approve the revisions to the Annual Audit Plan for the 2nd and 3rd Quarters and to request a management audit of the Fire and Police Departments’ Pension Fund was made by Representative Acosta. Motion was seconded by Representative Ortega. The motion passed unanimously.

6. Adjournment

A motion to adjourn was made by Representative Susie Byrd. The motion was seconded by Representative Steve Ortega.

Meeting adjourned at approximately at 9:45 A.M MST.

Submitted by:

**City Representative Susie Byrd, District 2
Chair, Financial and Audit Oversight Committee**

**Edmundo S. Calderon – Chief Internal Auditor
Internal Audit Office**